

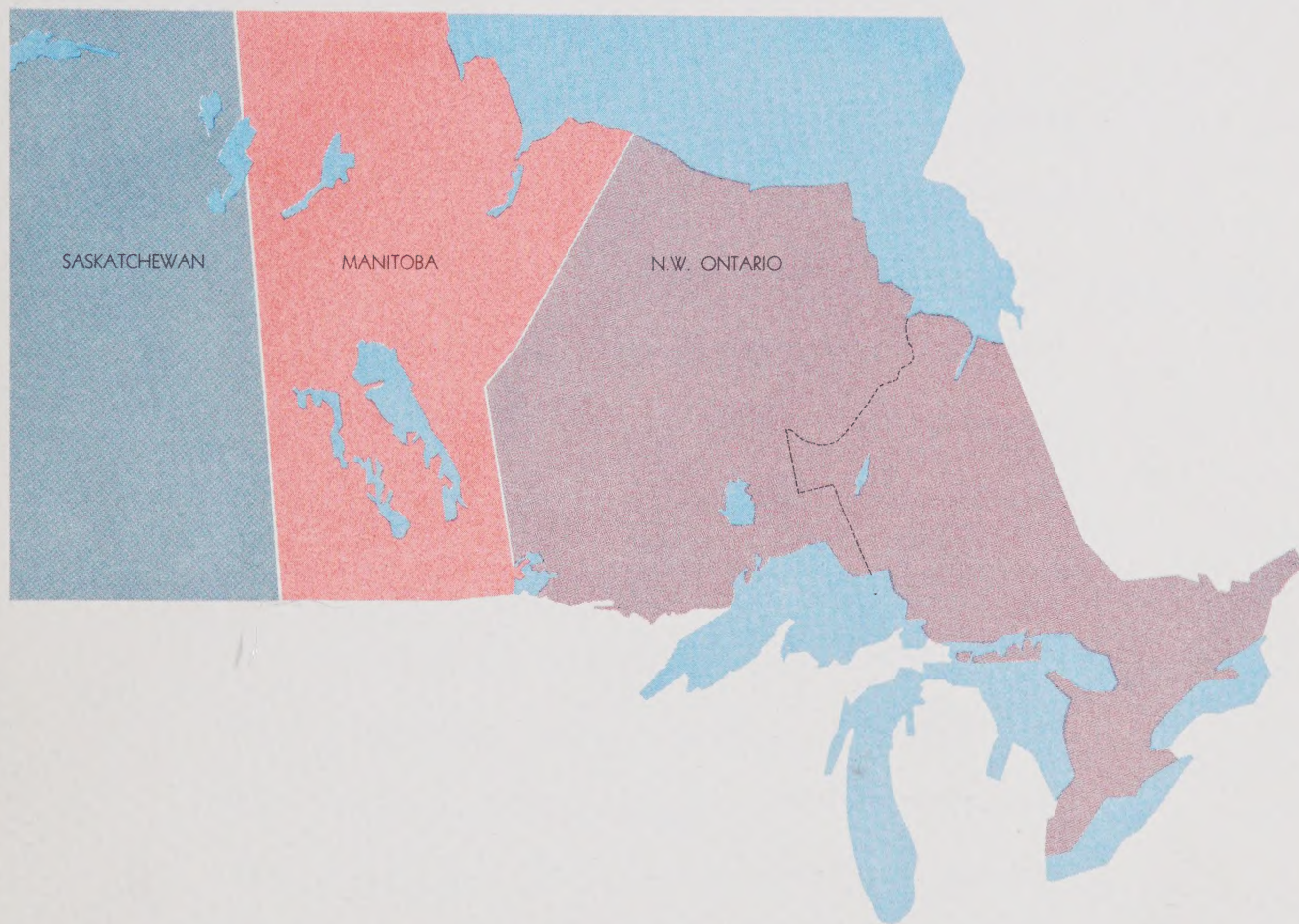
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SERVING CANADA'S MIDWEST



A REPORT ON GROWTH AND OPPORTUNITY

**Codville Distributors Ltd.**

and subsidiary companies

ANNUAL REPORT FOR FISCAL YEAR ENDED MARCH 31st, 1966

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## HIGHLIGHTS OF THE YEAR

	Year Ended		% Increase
	March 31st 1966	March 31st 1965	
Sales.....	\$23,977,288	\$21,520,544	11.4
Net Income.....	228,052	180,144	26.6
Net Income as a Percentage of Sales.....	.95	.84	13.1
Net Income per Class 'A' Share.....	44.3c	35.6c	24.4
Cash Flow.....	281,988	267,040	5.6
Number of Shareholders.....	902	69	—
Number of Employees.....	265	240	10.4
Number of Stores — I.G.A.....	68	57	19.3
— Much More and Save-A-Dollar.....	243	217	12.0

# PRESIDENT'S REPORT

## TO THE SHAREHOLDERS:

The year ending March 31, 1966, highlighted by two major achievements, was a memorable one for your Company. It commemorated the first year for Codville Distributors Ltd. as a public Company. The Company acquired all the outstanding shares of The Codville Company Limited and successfully sold 150,000 Class 'A' Shares, through a public offering, which resulted in shareholders' equity being increased by \$817,500. In September of 1965 the Class 'A' Shares were listed on the Toronto and Winnipeg Stock Exchanges. Consequently, your Company is now owned by over 900 shareholders located in nine Canadian Provinces and two foreign countries.

Furthermore, the year produced record sales and net income, as well as exciting new growth opportunities by the expansion of I.G.A. in Saskatchewan, thus widening the base of operations for future growth.

These accomplishments have resulted in an increase in shareholders equity of 92% to \$1,860,988 compared with \$969,871 of The Codville Company Limited for the previous year.

## SALES

		% Increase
1966	\$23,977,288	11.4
1965	21,520,544	13.4
1964	18,975,776	7.8
1963	17,596,366	(.4)
1962	17,665,947	9.2

Sales of \$23,977,288 increased by \$2,456,744 or 11.4% over last year, when sales amounted to \$21,520,544. Total retail food store sales in Manitoba and Saskatchewan increased by 3.47% in 1965. It is significant to note that your Company's sales increase surpassed the growth in the industry by 8%, which reveals that our affiliated retailers are obtaining a larger share of the total market in Manitoba and Saskatchewan.

During the year sixteen new IGA stores were opened and several were expanded and remodelled, two Company-owned I.G.A. stores were closed and one I.G.A. retailer's franchise was discontinued. Two I.G.A. stores were transferred to the Company's Much More group. Codville Distributors now service sixty-eight I.G.A. stores, and 243 other franchised stores in its Much More and Save-A-Dollar groups. At the start of the year your Company serviced some 700 non-affiliated customers, including small retail stores, cafes, and hotels. The number of non-affiliated customers has been reduced by approximately 375 and most of the remaining 325 non-affiliated customers, located in Northern Saskatchewan, are serviced from the Prince Albert warehouse.

Early in 1965 the I.G.A. Merchandising Program was introduced to central Saskatchewan. In August seven independently owned I.G.A. stores were opened in Saskatoon and area. At May 1, 1966, thirteen I.G.A. stores were being serviced by the Company's Saskatoon warehouse and the Saskatchewan Division now supplies twenty-three I.G.A. stores. As a result of this expansion the rate of sales growth in the Saskatchewan Division exceeded that of Manitoba.

### NET INCOME:

Consolidated net income of \$228,052 increased by \$47,052 or 26.6% above the previous year's \$180,144. Net income per Class 'A' Share amounted to 44.3c on 452,156 Class 'A' Shares and 93,492 Class 'B' Shares. When computed on the same number of outstanding shares, income per Class 'A' Share in 1965 was 35.6c, resulting in an increase this year of 8.7c per share or 24.4%. Last year, prior to the issue of an additional 150,000 Class 'A' Shares net income per Class 'A' Share was 49c.

		% Increase
1966	\$228,052	26.6
1965	180,144	23.4
1964	146,837	115.7
1963	68,079	379.8
1962	(24,333)	67.4

The cost of installing the I.G.A. merchandising plan in central Saskatchewan adversely effected earnings which resulted in an operating loss in this Division. A portion of these installation costs amounting to \$48,184, most of which were incurred prior to the I.G.A. opening in August, has been charged directly to retained earnings. Included in this cost is the expense of hiring and training key personnel, the reorganization of office and warehouse, franchising I.G.A. retailers and subsidization of an opening advertising promotion.

The Manitoba Division has continued to show satisfactory progress and its increase in net income has more than offset the loss that was incurred in Saskatchewan.

In the last quarter of the year two unprofitable Company-owned stores were closed and a third was sold to an independent retailer who has been retained as a customer. These three stores previously reduced profits and it is expected that the earnings of your Company's Retail Division will improve as a result of this action.

Operating efficiency continued to improve. Inventory at wholesale turned over 22 times, which is considerably higher than the average achieved in the industry. Net income as per cent of sales increased to .95% from .84% the previous year. The return on shareholders equity was 13.2%.



## DIVIDENDS:

Dividends totalling \$31,651, representing a semi-annual payment of 7c per Class 'A' Share, were paid in November 1965. It is intended that dividends totalling 15c per Class 'A' Share will be paid in the current fiscal year. An 8c dividend per Class 'A' Share will be paid on May 30, 1966, and your directors plan to declare a further 7c per Class 'A' Share in November, 1966.

## FINANCIAL POSITION:

### WORKING CAPITAL

		Current Ratio
1966	\$ 581,284	1.54:1
1965	1,038,462	1.89:1
1964	400,250	1.34:1
1963	558,441	1.46:1
1962	573,926	1.53:1

Working capital at March 31, 1966 was \$581,284 compared with \$1,038,462 last year, and is adequate for current operating requirements as is demonstrated by the fact that the Company had no bank indebtedness at its year end. Cash flow generated through operations increased to \$281,988 from \$267,040 the previous year.

The reduction in working capital is partly due to the treatment of secured loans to retailers which previously were included in current assets. This year secured loans to retailers amounting to \$208,801 have been treated on the Company's Balance Sheet as 'Other Assets'. In 1965 secured loans to dealers amounted to \$62,000 and have increased during the year by \$146,801. Working capital was further reduced by capital expenditures which totalled \$463,885. Included in this capital outlay were expenditures exceeding \$400,000 for the purchase of two parcels of land for future retail development, one retail store building, and retail and wholesale equipment.

### CASH FLOW

		% Increase
1966	\$281,988	5.6
1965	267,040	21.6
1964	219,641	67.6
1963	131,028	233.0
1962	39,410	253.0

The cost of fixed assets, all of which are debt free, total \$1,531,030 (depreciated value \$1,043,850), compared with \$1,084,095 (depreciated value \$683,085) in 1965. Shareholders equity of \$1,860,988 exceeds current liabilities of \$1,069,486 by \$791,502. Other than normal trade accounts payable your Company has practically no current debt. This places Codville Distributors Ltd. in a strong financial position.

It is planned that fixed assets, including land and buildings exceeding \$300,000 in value, will be sold during the current fiscal year. This capital, together with cash flow generated through operations, and temporary bank loans will provide adequate cash for planned expansion.

## **ACQUISITIONS:**

In September of 1965 the Company purchased the assets of the largest independent retail store in Manitoba. This store joined the I.G.A. program in 1955 and enjoyed a remarkable period of growth. In the last half of the fiscal year the store contributed to sales and profits in the Retail Division.

## **PERSONNEL DEVELOPMENT:**

Early in the year the Board of Directors was strengthened by the election to the Board of Messrs. T. W. Meredith, D. H. Koyl and J. P. Catty, each of whom brings a wealth of business experience and knowledge to the Company. Your Company now possesses a young, aggressive Board of Directors.

Personnel in the three operating divisions is being steadily strengthened. During the year a Personnel Department was established and a program of training and developing future executives from within the Company's ranks has been instituted. Almost all department heads in the operating divisions have trainees understudying them which will, in the future, provide increased depth in management.

## **OUTLOOK:**

Opportunities for continued growth make the outlook for the current and future years most promising. The economic complex of the Province of Saskatchewan is changing at a rapid pace. Industrialization through potash and other developments, the recent increase in per capita income, and the fact that the Province possesses some sixty towns with a population in excess of 1,000, presents an excellent opportunity for expansion. Recent announcements concerning large capital expenditures to develop Northern Manitoba will add impetus to the economy of this Province, and the Company will continue to expand its Manitoba Division.

In 1965 the I.G.A. Franchise was acquired for the County of Thunder Bay, including the Cities of Fort William and Port Arthur, and a number of prominent towns in the Lakehead area. The Company plans to expand its I.G.A. program into this area once operations in the Province of Saskatchewan are more fully developed.

Codville Distributors is budgeting for an increase in profit for its current fiscal year and it is anticipated that all three Divisions will contribute to net income. For this reason, earnings per share are expected to increase at a satisfactory rate.

## **RECOGNITION:**

We attribute the progress of Codville Distributors Ltd. to the ability and united effort put forth by its people—retailers, employees, shareholders, suppliers and other associates. The past year of growth is evidence that the people connected with your Company have done their jobs well. We record our deep appreciation.

On behalf of the Board of Directors

Winnipeg, May 20, 1966

B. H. CODVILLE,

President



## CONSOLIDATED STATEMENT OF INCOME

Year ended March 31, 1966

	1966 52 weeks	1965 52 weeks
Sales.....	\$23,977,288	\$21,520,544
<b>Income, before the undernoted items</b> .....	<b>\$ 469,829</b>	<b>454,567</b>
Directors' and executive officers' remuneration.....	38,740	37,107
Depreciation.....	102,120	86,897
Interest on long-term debt.....	4,855	17,547
Other interest.....	11,762	18,172
	<u>157,477</u>	<u>159,723</u>
Income before taxes.....	312,352	294,844
Taxes on income (Note 9).....	84,300	114,700
<b>Net income</b> .....	<b>\$ 228,052</b>	<b>\$ 180,144</b>

**Note:** In 1965 the figures above are those of The Codville Company, Limited.

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended March 31, 1966

	1966	* 1965
Retained earnings, beginning of year.....	\$249,353	\$139,685
Net income.....	228,052	180,144
	<u>477,405</u>	<u>319,829</u>
<b>Deduct:</b>		
Installation costs of I.G.A. program in Saskatchewan.....	48,184	—
Dividends paid (on Class A shares in 1966).....	31,651	50,258
Other deductions (Note 8).....	41,120	20,218
	<u>120,955</u>	<u>70,476</u>
<b>Retained earnings, end of year</b> .....	<b>\$356,450</b>	<b>\$249,353</b>

\* See Note 2



# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended March 31, 1966

## Source of funds:

By operations:			
Net income.....	\$228,052		
Add Depreciation, not involving an outlay of funds.....	102,120		
		\$330,172	
Sale of investment in subsidiary company.....		24,713	
Payments on mortgage receivable.....		3,914	
			358,799

## Application of funds:

Fixed assets (net).....	463,885		
Loans to dealers, secured (Note 3).....	208,801		
Reduction in notes and mortgages payable.....	9,608		
Installation of I.G.A. program in central Saskatchewan.....	48,184		
Prior years' income taxes.....	25,324		
Dividends paid.....	31,651		
Other expenditures.....	28,524		
			815,977

Decrease in working capital, as below..... (\$457,178)

	1966	1965 (Pro forma)	Working Capital Increase (Decrease)
Current assets.....	\$1,650,770	\$2,199,746	(\$548,976)
Current liabilities.....	1,069,486	1,161,284	91,798
Working capital.....	<u>\$ 581,284</u>	<u>\$1,038,462</u>	<u>(\$457,178)</u>

**CONSOLIDATED**

For the year en

**ASSETS**

	1966	*1965 (Pro forma)
<b>Current assets:</b>		
Cash.....	\$ 117,773	\$ 609,742
Accounts receivable, less allowance for doubtful accounts.....	503,636	625,054
Inventories, at lower of cost and market.....	970,881	885,142
Prepaid expenses.....	58,480	79,808
	<u>\$1,650,770</u>	<u>\$2,199,746</u>
<b>Other assets:</b>		
Investment in subsidiary company, at cost.....	—	24,713
Investment in Marchan Co. Ltd. (I.G.A. Canada), at cost.....	51,670	51,670
Loans to dealers, secured (Note 3).....	208,801	—
Mortgage receivable (Note 6).....	39,900	43,814
Rental deposit.....	40,000	40,000
Life insurance, cash value.....	5,740	4,470
	<u>346,111</u>	<u>164,667</u>
<b>Fixed assets, at cost:</b>		
Land.....	207,815	28,800
Buildings.....	267,321	137,487
Equipment.....	969,193	841,329
Leasehold improvements.....	86,701	76,479
	<u>1,531,030</u>	<u>1,084,095</u>
<b>Less Accumulated depreciation.....</b>	<u>487,180</u>	<u>402,010</u>
	<u>\$1,043,850</u>	<u>\$ 682,085</u>
<b>Trademark and goodwill.....</b>	<u>2</u>	<u>2</u>
	<u><u>\$3,040,733</u></u>	<u><u>\$3,046,500</u></u>

\*See Note 2.



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**ANCE SHEET**

**31, 1966**

**LIABILITIES**

	1966	*1965 (Pro forma)
<b>Current liabilities:</b>		
Accounts payable.....	\$1,024,168	\$1,096,559
Income taxes payable (Notes 4 and 9).....	36,318	57,025
Notes and mortgage payments due within one year.....	9,000	7,700
	<u>1,069,486</u>	<u>1,161,284</u>
<b>Other Liabilities (Note 5):</b>		
Notes payable.....	91,000	93,000
Mortgage payable.....	28,259	34,567
	<u>119,259</u>	<u>127,567</u>
<b>Less</b> Payments due within one year.....	<u>9,000</u>	<u>7,700</u>
	<u>110,259</u>	<u>119,867</u>
<b>Minority interest in The Codville Company, Limited</b> .....	<u>—</u>	<u>45,108</u>

**SHAREHOLDERS' EQUITY (Note 1)**

**Capital stock (Note 7):**

Authorized:

850,000 Class A shares, no par value.

150,000 Class B shares, no par value.

Issued:

452,156 (440,949 in 1965) Class A shares..... 1,442,175 1,410,650

93,492 ( 90,305 in 1965) Class B shares..... 62,363 60,238

	<u>1,504,538</u>	<u>1,470,888</u>
<b>Retained earnings</b> .....	<u>356,450</u>	<u>249,353</u>
	<u>1,860,988</u>	<u>1,720,241</u>
	<u>\$3,040,733</u>	<u>\$3,046,500</u>

The accompanying notes are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD

B. H. CODVILLE DIRECTOR

J. F. R. TAYLOR DIRECTOR

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

"Method of Consolidation"	<p>1. The consolidated balance sheet has been prepared on the basis of a pooling of interests wherein:</p> <p>(a) the value attributed to the issued shares of Codville Distributors Ltd. is equivalent to the paid up value of the shares of The Codville Company, Limited received in exchange therefor and cash received for 150,000 Class A shares sold to the public;</p> <p>(b) the retained earnings are equivalent to the total retained earnings of Codville Distributors Ltd. and The Codville Company, Limited and subsidiaries.</p>
"Pro Forma Balance Sheet 1965"	<p>2. The comparative figures for 1965 as shown in the consolidated balance sheet and related statement of retained earnings were taken from the prospectus dated June 10, 1965, which was prepared after giving effect to the following:</p> <p>(a) the incorporation under the laws of Canada of Codville Distributors Ltd. by letters patent dated April 20, 1965, and the issue of 7 Class B shares for \$38 cash;</p> <p>(b) the acquisition by Codville Distributors Ltd. as at May 26, 1965, of 17,741 5% cumulative redeemable preference shares and 209,825 common shares of The Codville Company, Limited (being 94% and 97%, respectively, of the total outstanding shares of that company) in consideration of the issue of 290,949 Class A and 90,298 Class B shares of Codville Distributors Ltd., pursuant to an offer made by Codville Distributors Ltd. on April 30, 1965, to exchange shares on the following terms:  3¾ Class A shares of Codville Distributors Ltd. for each 5% cumulative redeemable preference share of The Codville Company, Limited, and  2 Class A and 1 Class B shares, or 3 Class A shares, of Codville Distributors Ltd. for each 2 common shares of The Codville Company, Limited;</p> <p>(c) the issue and sale by Codville Distributors Ltd. of 150,000 Class A shares for \$817,500 cash;</p> <p>(d) the sale by Codville Distributors Ltd. on May 26, 1965, of 10,000 share purchase warrants for \$1,000, and credit of proceeds to retained earnings. Each warrant gives the holder the right to purchase 1 Class A share at a price of \$6.00 at any time prior to May 31, 1970;</p> <p>(e) the payment and charge to retained earnings of net expenses estimated at \$15,800 in connection with the issue of shares by and the incorporation of Codville Distributors, Ltd.;</p> <p>(f) the application of the proceeds of the sales outlined in (c) and (d) above to increase cash on hand and discharge the following liabilities of The Codville Company, Limited:</p> <ul style="list-style-type: none"> <li>(i) \$50,000 demand note payable;</li> <li>(ii) dividends amounting to \$11,715 (the unpaid portion of \$2,740 being transferred to Minority Interest in The Codville Company, Limited), and</li> <li>(iii) finance contracts totalling \$276,707 plus \$20,000 liquidation costs. Retained earnings of The Codville Company, Limited have been charged with \$10,000 representing the liquidation costs less \$10,000 estimated reduction in income taxes relating thereto.</li> </ul>
"Secured Loans"	<p>3. At March 31, 1966, secured loans to dealers amounting to \$208,801 not due within one year are shown under "Other assets" on the balance sheet. Secured loans at March 31, 1965, amounting to \$62,000 were not similarly segregated but were included in accounts receivable at that date.</p>
"Income Taxes"	<p>4. Income taxes payable by The Codville Company, Limited at March 31, 1965, were reduced by \$47,675 in connection with a claim for refund for the year 1963. The income tax department has assessed the 1963 and 1964 fiscal periods disallowing the claim for refund and assessing the company additional income taxes of \$8,307, which have been paid. The Codville Company, Limited has filed a notice of objection in connection with this assessment and, in the preparation of the attached balance sheet, the \$55,982 (\$47,675 plus \$8,307) is applied to reduce income taxes payable.</p>



<b>"Term Debt"</b>	<b>5. Details of other liabilities are:</b>		
		March 31, 1966	March 31, 1965
	Notes payable:		
	Interest 4% per annum, principal payable on demand after November 30, 1970.....	\$35,000	\$35,000
	Interest 3% per annum, principal payable \$2,000 per annum until 1968 and \$8,500 per annum 1969 to 1973, inclusive.....	48,500	50,500
	Interest 5% per annum, principal payable \$1,500 per annum 1973 to 1977, inclusive.....	7,500	7,500
		<u>\$91,000</u>	<u>\$93,000</u>
	Mortgage payable, 6%.....	<u>\$28,259</u>	<u>\$34,567</u>
<b>"Mortgage Receivable"</b>	<b>6.</b> The mortgage receivable bears interest at 6% per annum and is secured by property previously owned by The Codville Company, Limited on which the related mortgage payable shown in Note 5 above remains outstanding.		
<b>"Shares"</b>	<b>7.</b> The rights attaching to the shares of Codville Distributors Ltd. are:		
	Class A—one vote per share; annual, preferential, non-cumulative dividends of 15c per share; further dividends payable equally to Class A and Class B shareholders. Class B—ten votes per share; convertible to an equal number of Class A shares after July 1, 1966. During the year, the company issued 11,207 Class A and 3,187 Class B shares in exchange for all the minority shares of The Codville Company, Limited. At March 31, 1966, 185,000 Class A shares were reserved for issue as follows: 150,000 for conversion of Class B shares 10,000 for the exercise of share purchase warrants 25,000 for the executive stock option plan. Executive stock options, which are contingent on continuous employment to the option date, may be granted to officers and executives for a period of five years. The option price may not be less than 90% of the market price on the date they are granted. At present there are options outstanding with executive employees to purchase 10,500 Class A shares at \$5.45 each prior to May 26, 1970. Warrants to purchase 10,000 Class A shares for \$6.00 each at any time prior to May 31, 1970, are outstanding.		
<b>"Retained Earnings"</b>	<b>8.</b> Other deductions in the consolidated statement of retained earnings amounting to \$41,120 include the costs of liquidating finance contracts, incorporation, public issue of shares, prior years' income taxes and goodwill written off.		
<b>"Income Taxes"</b>	<b>9.</b> Taxes on income for 1966, as shown in the consolidated statement of income, have been reduced by \$66,450 as a result of:		
	(a) the intention to claim for tax purposes depreciation of \$38,000 in excess of that provided for the year in the accounts. The accumulated amount to date by which taxes otherwise payable have been so reduced is \$42,000; (b) the claiming for tax purposes of \$92,282 of non-recurring expenses included in the consolidated statement of retained earnings. This amount includes costs of liquidating finance contracts, public issue of shares and the installation of the I.G.A. program in Saskatchewan.		
<b>"Contractual and Contingent Liabilities"</b>	<b>10.</b> Rental payments during the years ended March 31, 1966 and 1965, on long-term leases amounted to \$123,636 and \$126,968, respectively. The aggregate minimum net rentals under long-term leases in effect at March 31, 1966 (extending beyond five years from that date), are as follows for each of the periods shown:		
	1966 - 1971.....	\$524,881	1977 - 1981.....\$128,776
	1972 - 1976.....	473,378	After 1981.....24,871
	<b>11.</b> The Codville Company, Limited is the guarantor of liabilities of independent retailers as follows:		
		March 31, 1966	March 31, 1965
	Mortgages payable.....	\$ 87,000	\$ 93,704
	Aggregate rentals under long-term leases extending into 1981.....	649,560	694,985

## AUDITORS' REPORT

To the Shareholders of  
Codville Distributors Ltd.

We have examined the consolidated balance sheet of Codville Distributors Ltd. and subsidiary companies as at March 31, 1966, and the related statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statements of income and retained earnings, when read in conjunction with the notes thereto, present fairly the financial position of Codville Distributors Ltd. and subsidiary companies as at March 31, 1966, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned consolidated financial statements, presents fairly the source and application of funds of Codville Distributors Ltd. and subsidiary companies for the year ended March 31, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants

Winnipeg, Canada, May 2, 1966.

## Codville Distributors Ltd. and subsidiary companies

### FIVE YEARS OF GROWTH

	1966	1965	1964	1963	1962
Sales.....	\$23,977,288	\$21,520,544	\$18,975,776	\$17,596,366	\$17,665,947
Depreciation.....	102,120	86,897	72,804	62,949	63,743
Income Taxes.....	84,300	114,700	99,609	49,995	(3,358)
Net Income.....	228,052	180,144	146,837	68,079	(24,333)
Net Income as a Percentage of Sales.....	.95	.84	.77	.39	(.14)
Cash Flow.....	281,988	267,040	219,641	131,028	39,410
Working Capital.....	581,284	1,038,462	400,250	558,441	573,926
Current Ratio.....	1.54:1	1.89:1	1.34:1	1.46:1	1.53:1



## OPPORTUNITIES FOR GROWTH

### FRANCHISED AREA

Codville Distributors holds the I.G.A. Franchise for the Provinces of Manitoba, Saskatchewan, and Northwestern Ontario to the eastern boundary of the County of Thunder Bay. More than 10% of the population of Canada resides in this marketing area.

Total food store sales in 1965 are estimated to be \$351,104,000, and have increased by approximately 20% in the five year period from 1960.

The economy of Manitoba and Saskatchewan is becoming industrialized through the development of natural resources including potash, pulp and paper, oil and gas, and minerals. This industrialization is increasing per capita income. The urban population is growing at a substantial rate due to population shifts from rural areas and small towns. This has the effect of increasing the percentage of disposable income the consumer spends on food.

The development and expansion of I.G.A. stores will continue to be the Company's main objective. Your Company will continue to serve its Much More and Save-A-Dollar groups with the intention of upgrading these stores to qualify as I.G.A. members. Codville Distributors marketing area contains 111 cities and towns which have a population in excess of 1,000. It is estimated that the ultimate potential for expansion of I.G.A. in the Company's franchised area will permit the existence of 185 I.G.A. stores.

Opportunities for further growth through acquisitions, the development of wholesale cash and carries, and discount food stores are being investigated.

### MANITOBA DIVISION

In 1965, total food store sales in Manitoba are estimated to be \$169,306,000, and in the past five years have increased by over 19%. The Province has a population of 962,000 residents which is approximately 5% of the total Canadian population.

Divisional Headquarters are situated in the City of Winnipeg. The development of industry and natural resources throughout the prairie provinces is likely to increase the importance of Winnipeg as a distributing and manufacturing centre.

The recently announced Nelson River project and pulp and paper mill in Northern Manitoba, involving the expenditure of millions of dollars, will be a definite boost to the economy of this Province.

The Company services 45 I.G.A. stores in this Division. Two I.G.A. stores are scheduled to open in the near future and several others are in the planning stages.

The Province has 37 cities and towns which have a population in excess of 1,000, and it is estimated that there is potential to develop a total of 72 I.G.A. stores.

### SASKATCHEWAN DIVISION

Saskatchewan, with a population of 951,000, has approximately 5% of the total Canadian population. The Company has established its Divisional Headquarters in Saskatoon, which in recent years has become one of the fastest growing cities in Canada. Surveys indicate that nine potash mines, requiring a total capital investment of some 450 million dollars, are planned for development in the Saskatoon trading area. Other industrialization, through the construction of a 65 million dollar pulp and paper mill in Prince Albert, and the continued expansion of the oil and gas industry in the Southern and Western areas of the Province make the outlook for the future most promising.

Your Company commenced the expansion of I.G.A. in Saskatchewan in 1965 and at the present time supplies 23 I.G.A. stores in this Division. Three I.G.A. stores are scheduled to open in the first quarter of this fiscal year, and two others are in the planning stages.

The Province has 61 cities and towns, which have a population in excess of 1,000, and it is estimated that the operating division has potential for the development of 89 I.G.A. stores.

### NORTHWESTERN ONTARIO

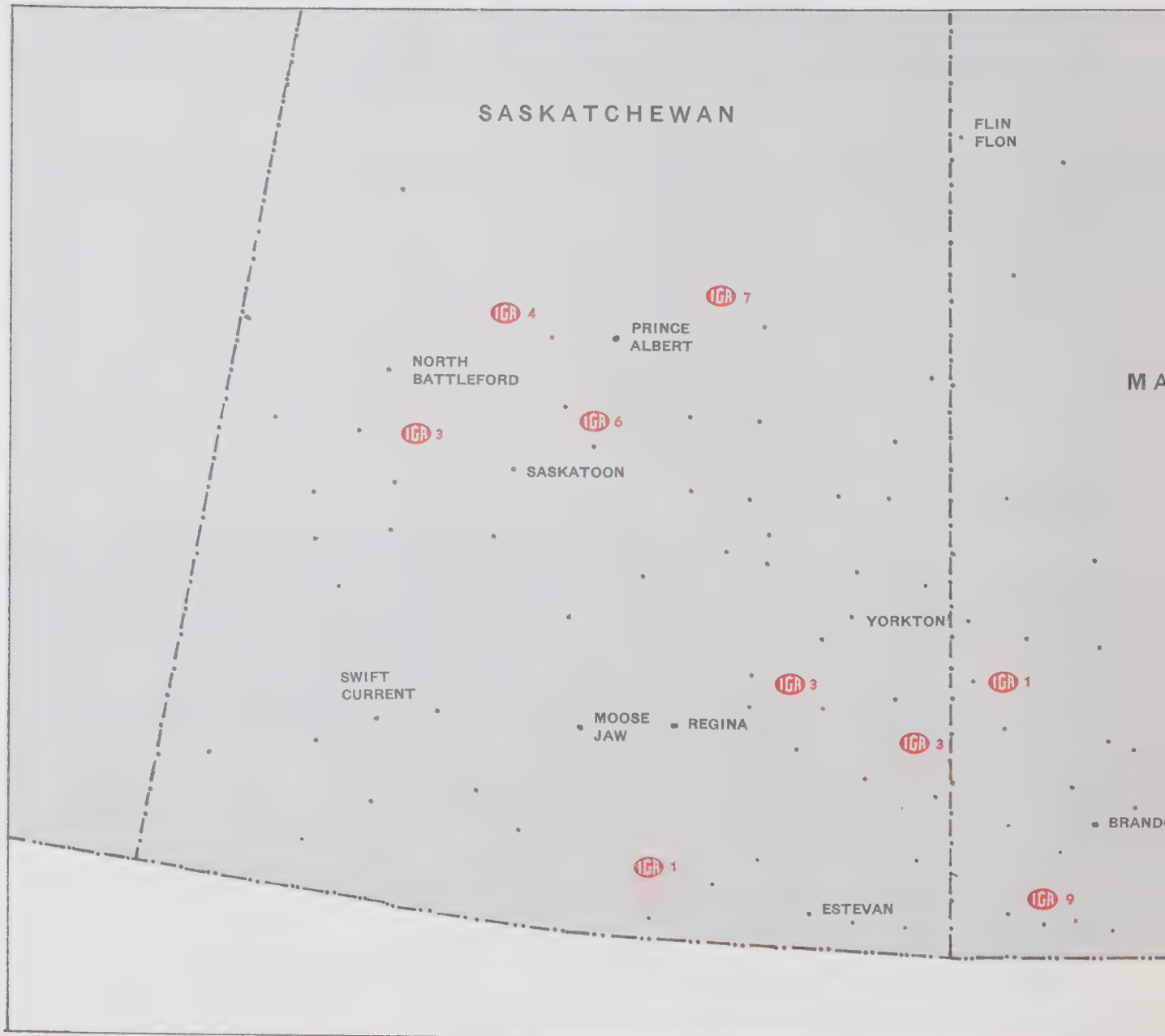
In 1965 the Company's I.G.A. Franchise was extended to include Northwestern Ontario to the eastern boundary of the County of Thunder Bay.

It is the intention to expand the I.G.A. program into this market once operations in Saskatchewan have been more fully developed. This expansion will necessitate the installation of warehousing facilities in the cities of Fort William-Port Arthur.

There are 13 cities and towns in Northwestern Ontario which have a population in excess of 1,000. It is estimated that the area has potential for the development of 24 I.G.A. stores.

# ANALYSIS OF MARKETING AREA AND ESTIMATED POTENTIAL FOR I.G.A. GROWTH

TOWNS AND CITIES	TOTAL		MANITOBA		SASKATCHEWAN		NORTHWESTERN ONTARIO	
POPULATION	Number of Towns and Cities	Estimated Potential Number of IGA Stores	Number of Towns and Cities	Estimated Potential Number of IGA Stores	Number of Towns and Cities	Estimated Potential Number of IGA Stores	Number of Towns and Cities	Estimated Potential Number of IGA Stores
500,000 and over.....	1	30	1	30	—	—	—	—
100,000 - 150,000.....	3	30	—	—	2	20	1	10
25,000 - 50,000.....	3	13	1	5	2	8	—	—
10,000 - 25,000.....	8	16	2	4	4	8	2	4
5,000 - 10,000.....	8	8	3	3	3	3	2	2
1,000 - 5,000.....	88	88	30	30	50	50	8	8
TOTAL	111	185	37	72	61	89	13	24



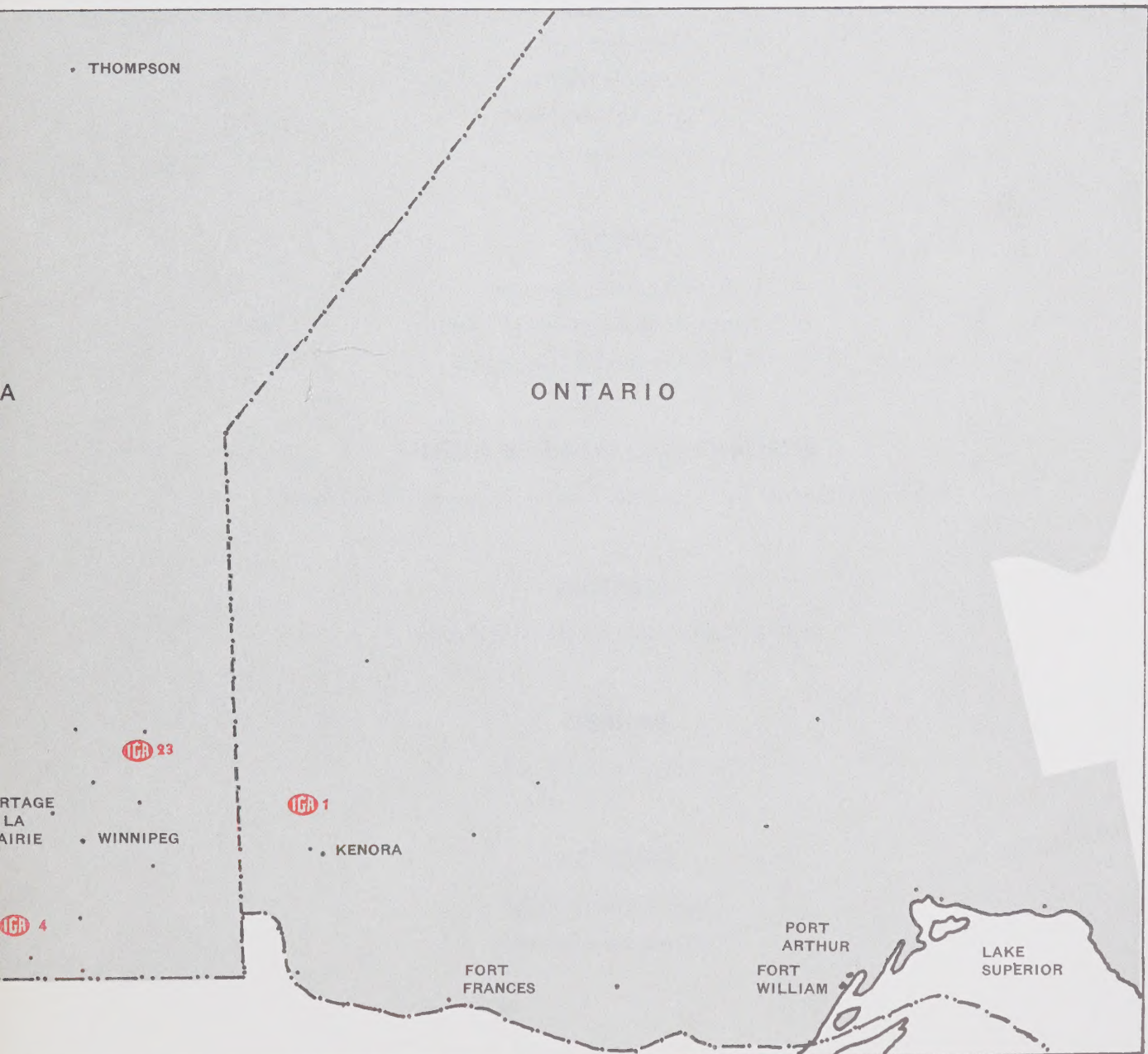


## MAP OF MARKETING AREA

 5 — Identifies number of I.G.A. stores in area.

Cities of 10,000 and over are named.

• — Identifies towns of less than 10,000.



# Codville Distributors Ltd.

and subsidiary companies

## HEAD OFFICE

1835 SARGENT AVENUE, WINNIPEG 21, MANITOBA

## DIRECTORS

James P. Catty

Bruce H. Codville

John Cote

Donald H. Koyl

Arthur E. Martin

Thomas W. Meredith

Reeh Taylor

## OFFICERS

B. H. Codville, President

A. E. Martin, Vice-President and Treasurer

J. F. R. Taylor, LL.B., Secretary

## REGISTRAR AND TRANSFER AGENT

Eastern & Chartered Trust Company, Toronto, Winnipeg and Saskatoon

## AUDITORS

Thorne, Mulholland, Howson & McPherson

## BANKERS

The Royal Bank of Canada

## LISTED ON

Toronto Stock Exchange

Winnipeg Stock Exchange





